



# Memorandum

**TO:** HONORABLE MAYOR,  
CITY COUNCIL AND  
SUCCESSOR AGENCY BOARD

**FROM:** Richard A. Keit

**SUBJECT:** SEE BELOW

**DATE:** November 15, 2018

Approved

*D. DSYL*

Date

*11/16/18*

**SUBJECT: APPROVAL OF THE PURCHASE AND SALE AGREEMENT FOR  
PROPERTY LOCATED AT 62 SOUTH SECOND STREET – JOSE  
THEATRE**

## RECOMMENDATION

Successor Agency Board approve a Purchase and Sale Agreement and Escrow Instructions between the Successor Agency to the Redevelopment Agency of the City of San Jose, as seller and Monterey & Third Associates LLC, as buyer to allow the sale of 62 South Second Street (“Property”) for a purchase price of \$2,139,000.

## OUTCOME

Approval of the sale will allow the Successor Agency to sell the Property. The Property is being sold pursuant to an open solicitation process. The net proceeds from the sale of the Property will be sent to the County for distribution to the taxing entities, including 14.14% to the City of San Jose.

## BACKGROUND

The Jose Theater, located at 62 South Second Street, was built in 1904 and is the oldest theater in Downtown San Jose. The former San Jose Redevelopment Agency (“Agency”) purchased the Property in 2000 for \$845,000 and completed seismic and façade upgrades to the building. The lot size is 9,583 square feet. The General Plan and Zoning designations are Downtown and Planned Development, respectively. The Property has four historic designations: National Register Historic District; City Landmark; City Historic Contributing Structure and listed in the California Register of Historic Resources.

In 2001, the Agency Board approved a Lease with the Comedy Club of San Jose, LLC (“Improv”). The Lease provided for the theatre to be used as a live entertainment, comedy venue

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with an ancillary restaurant and bar. In February 2018 and March 2018 the Oversight Board and State Department of Finance approved a three-year lease with the Improv terminating in December 2020.

The Property went out to bid two times prior to the current solicitation. There were some inconsistencies with the bidding requirements for the first solicitation and the second solicitation yielded no bidders at the required minimum bid of \$2,762,000. Successor Agency staff recommended the Oversight Board reject the solicitations and requested a third round to solicit the Property.

The Countywide Oversight Board agreed with staff recommendations and directed staff to open solicitation with the following stipulations: A minimum bid of \$1,530,000; a sixty (60) day solicitation period and staff to contact the local real estate press and inform them of the sale in addition to the typical posting of the sale on the Successor Agency's website and online real estate sites.

### ANALYSIS

On August 30, 2018, Successor Agency staff placed the Property out to bid with an offer deadline of 4:00 PM on October 29, 2018. The minimum bid was \$1,530,000 and the property had to be sold as is. The property brochure, Purchase and Sale Agreement, Title Reports and bid deadline were posted on the Successor Agency website. The Property was noticed for sale on both Loopnet and Costar, two on-line real estate search sites. The real estate journalists for the Mercury News and Business Journal were notified of the solicitation. Subsequently, the Mercury News posted an article regarding the sale in its September 5, 2018, edition.

Listed in the table below are the three bids that were submitted for the Property:

	<b>BIDDER</b>	<b>BID AMOUNT</b>
1	Monterey & Third Associates, LLC	\$2,139,000
2	Structural Hardware & Supply Inc.	\$1,651,029
3	Franklin Bell Services	\$1,540,000

All bids were prepared in accordance with the specified solicitation requirements. Successor Agency staff recommends approving the Purchase and Sale Agreement and the sale to the highest bidder, Monterey & Third Associates. Staff believes the bid to be in the range of fair market value for the Property. Monterey & Third Associates is affiliated with Imwalle Properties a long time and well respected developer of commercial properties in the City of San Jose. The buyer will take the Property subject to the Comedy Club's (Improv) lease, which has a remaining term of 2 years and 2 months. On November 5, 2018, the Countywide Oversight Board unanimously approved the sale of the Property to Monterey & Third Associates.

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**COMMISSION RECOMMENDATION/INPUT**

There is no City commission recommendation or input associated with this action.

**EVALUATION AND FOLLOW-UP**

This item does not require any follow-up from staff.

**PUBLIC OUTREACH**

This memorandum will be posted on the City's Council Agenda Website for the November 27, 2018, Council Meeting.

**COORDINATION**

This item was coordinated with the City Attorney's Office.

**CEQA**

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/  
RICHARD A. KEIT  
Managing Director

For more information, contact Richard Keit, Managing Director, Successor Agency, at 408-795-1849.